Ministry of Finance

Revenue Division
2350 Albert Street
Regina, Saskatchewan
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Information Bulletin

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READER SURVEY

THE PROVINCIAL SALES TAX ACT

INFORMATION FOR RENTAL BUSINESSES

This bulletin has been prepared to help you apply and collect the Provincial Sales Tax (PST). It is a general guide and not a substitute for the legislation.

The contents of this bulletin are presented under the following sections:

A. General Information
B. Equipment Rentals
C. Equipment with an Operator
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A. GENERAL INFORMATION

Rental/leasing companies are required to collect PST on charges for the rental of goods/equipment. Businesses providing rentals of goods/equipment are issued a vendor's licence number that allows them to carry an exempt rental inventory and to collect PST on the rental charges.

Clause 3(1)(g) of *The Provincial Sales Tax Act* defines "rent" as including "any royalty, franchise, maintenance, service, installation, financing or insurance in respect of tangible personal property that is the subject of a lease."

In general, tangible personal property is property that is movable or intended to be moved periodically, such as vehicles[1], machinery, office equipment and appliances. Tangible personal property will be referred to as equipment throughout this bulletin.

[1] Information Bulletin PST-18, *Information for Motor Dealers and Leasing Companies*

In contrast to the rental of equipment, businesses providing non-taxable services are required to pay PST on the cost of the equipment used to provide their services and tax is not collected on the invoice to the customer. Businesses providing non-taxable services, such as equipment with an operator, will be issued a registered consumer permit number in order to report any PST payable on the purchase of taxable goods and services.

For information regarding the application of PST as it relates to businesses providing taxable services please refer to the information bulletins found at the following link: http://www.finance.gov.sk.ca/Bulletins/ProvincialSalesTaxBulletins

B. EQUIPMENT RENTALS

Businesses renting out equipment without an operator are required to collect PST on the charges to their customer. The provision of an on-site supervisor, technician or consultant who does not operate the equipment does not change the supply from a rental to a service for PST purposes.

The business may purchase their rental inventory exempt from PST by quoting their vendor's licence number to the supplier. Repairs to the rental inventory may also be purchased exempt from tax. If the customer is billed for the repair, tax must be collected on the charge.

Taxable Rental Charges and Fees include:

- Accessory charges
- Accident deductible charges and loss or damage charges
- Cleaning
- Damage waiver fees, including collision (exempt if optional)
- Delivery and pickup charges
- Down payments
- Drop off charges or one way service fees
- Finance (interest)
- Fixed fees, time and distance charges
- In-shop preparation
- Installation
- Late fees
- Liability insurance fees (exempt if optional)
- Maintenance/servicing
- Personal accident insurance fees (exempt if optional)
- Repair parts and repair labour
- Rig up/tear out
- Setup and removal
- Security deposit charges

Exempt charges, when segregated on the invoice, include:

- The charge for an individual who accompanies the equipment for the purpose of supervising, training or other similar services including subsistence charges and travel time/mileage charges

- Other non-taxable services that are subsequent to the original rental contract, such as optional insurance, which is not a standard requirement of the rental
- Fuel charges
- Charges for third party permits
- Personal Property Security Agreement (PPSA) fees
- Lease termination charges that are in the nature of a penalty or a settlement for terminating a lease early. Termination charges that are applied to lease arrears are subject to tax.

Examples of equipment rentals:

- Golf carts and clubs
- Hot tubs, including delivery and set up
- Inflatable toys/bouncers
- Lighting and audio visual equipment, without an operator
- Linens, mats and uniforms, including cleaning and delivery
- Table and chair rentals, including set up and removal
- Water coolers
- Water heaters
- Water purification equipment and softeners

C. EQUIPMENT WITH AN OPERATOR[2]

Businesses that supply equipment with an operator are generally considered to be providing a non-taxable service and are not considered to be renting out equipment. A service company is responsible for controlling the function and operation of the equipment and are generally liable for any damage caused to or by the equipment.

The service company is required to pay PST on the cost of all equipment used to provide their service. Repairs to the equipment are also subject to tax. Tax is not collected on the invoice to the customer even if the contract contains a rental element for the equipment.

Service companies that occasionally rent out their equipment without an operator are required to collect PST on the rental charges.

Examples of rentals with an operator:

- Bobcat services
- Excavating services
- Lighting and audio-visual equipment, owner of equipment controls its function and operation

D. BUSINESSES PROVIDING BOTH SERVICES AND RENTALS

Businesses providing both services and rentals of equipment will hold either a tax-free or tax-paid inventory depending on which activity forms the majority of their revenue.

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[2] Information Bulletin PST-46, *Information for Service Enterprises*

Businesses predominantly providing a service are required to pay tax on their equipment. PST must also be collected on the invoice to the customer when the equipment is rented out without an operator or service component.

Businesses predominantly providing rentals of equipment will be required to self-assess the PST on the fair market value for the rental when equipment is taken from their tax-free inventory for use in providing a service to their customer.

Alternatively, businesses providing both services and rentals may choose to maintain both a tax-free and a tax-paid inventory for each aspect of their business.

E. CRANE RENTALS

The application of PST to crane rentals differs from the usual application of tax when equipment is provided with an operator.

Charges for the crane rental including charges for rig-down, rig-up and travel time with respect to the crane rental are subject to tax in accordance with the definition of "rent" in clause 3(1)(g) of The PST Act. Charges for the services of an operator, including charges for sustenance, are not subject to tax providing they are segregated on the invoice to the customer.

The crane company may purchase the crane exempt from tax by quoting their vendor's licence number to the supplier.

F. SCAFFOLDING RENTALS

Scaffolding rentals are labour intensive with respect to the services for erection and tear down. The application of PST to scaffolding rentals differs from the usual application of tax to rentals of equipment.

PST does not apply to the labour component for setup, dismantling or sustenance related to scaffolding contracts. These charges must be reasonable in relation to the contract and shown separately on the customer's invoice. PST must be collected on the portion of the invoice relating to the rental of the scaffolding.

The business may purchase the scaffolding equipment exempt from tax by quoting their vendor's licence number to the supplier.

G. PORTABLE SIGN RENTALS/SERVICES

The application of tax to portable sign contracts depends on the nature of the agreement.

a) Where the portable sign business performs the setup and display services, and controls the location of the sign, this is considered a non-taxable service and not a rental of equipment. The charges to the customer are not subject to PST. The business is required to pay tax on the cost of the portable signs and any other supplies used to provide their service.

Example:

A sign company has their portable sign located at a high traffic intersection. They invoice their customers for the service to post an advertisement on the sign for a fixed period of time. This service is not subject to tax.

b) Where the portable sign and accompanying equipment are rented to a lessee who is responsible for the set-up, tear-down, display and content, this is considered the rental of equipment and tax must be collected on the invoice to the customer. The business may purchase their rental inventory exempt from PST by quoting their vendor's licence number to the supplier.

Example:

A portable sign is rented to a company who sets it up at their own location and may change the advertisement and location at their discretion. PST applies to charges for the rental of the sign and supplies, including delivery charges.

H. DISPOSAL SERVICES

A disposal service or waste management contract typically includes certain types of equipment that are left on site for the limited use of the customer during the term of the contract. These are generally considered to be non-taxable service contracts and as such PST does not apply to the charges on the customer invoice. The disposal service company is required to pay PST on the equipment and supplies used to provide the service, including any repairs incurred to maintain the equipment.

Examples of disposal services:

- Garbage bins with disposal service
- Portable toilets with disposal service

I. RENTALS OF REAL PROPERTY

Rentals of real property, other than taxable lodging services, are not subject to PST.[3] Real property is land or building or property that is permanently affixed to land or building.

Examples:

- Apartment/house
- Mall space
- Office space
- Parking space
- Space at storage facility

J. LEASE BUYBACKS

Businesses often finance the purchase of high-value equipment by arranging to lease them from a third party leasing company, financing company or bank. The business maintains the use and possession of the equipment, but the leasing company obtains legal title or another legal interest that allows them to take possession of the equipment if the business defaults on the lease payments. These sale and lease back transactions are used for financing purposes and are different from traditional leases.

Where equipment is purchased and a lease back arrangement is entered into within 60 days of the business acquiring the equipment or before any significant use of the equipment has occurred, the business should apply to the Revenue Division for a refund of the tax paid on the original purchase price. The financing company is required to collect tax on the lease payments. No distinction should be made between capital leases or operating leases.

If a business has owned the equipment for longer than 60 days and enters into a lease-back financing arrangement, no tax is payable on the lease payments if:

- tax has been previously paid in full on the equipment by the business; and,
- tax has been paid on any repairs or modifications made to the equipment.

K. EXEMPT SALES/RENTALS

Sales/rentals of taxable goods and services to the following are exempt from tax:

- Federal government departments and agencies. Sales to federal government crown corporations and provincial government ministries, agencies and crown corporations are taxable.
- Another retailer for resale, providing the retailer's vendor's licence number is recorded on the invoice.
- Residents or non-residents providing the goods and services are shipped or delivered out of the province by the retailer.

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[3] Information Bulletin PST-47, *Information for Vendors Providing Lodging*

- Status Indians, Indian bands and non-commercial band-empowered entities, providing the goods are delivered to the reserve by the retailer or the services are performed on the reserve, and the Certificate of Indian Status identification card number or band number is recorded on the invoice. The complete 10 digit card number must be recorded on the invoice. If the federal identification card number is only three to five digits, record the number and the name of the band on the sales invoice. Proof of delivery to a reserve must be retained.[4]

L. GOODS AND SERVICES FOR OWN USE

Businesses are required to pay tax on purchases of equipment, supplies and taxable services used in their business and in providing their services. If they are purchased from a licensed supplier, the tax must be paid to the supplier. If they are purchased from an unlicensed supplier, such as one located outside Saskatchewan, the tax must be submitted with your return on the laid down cost, which includes currency exchange, transportation charges, customs and excise duties and importation charges, but not the GST.

M. SALES OF USED BUSINESS ASSETS

Businesses are required to collect tax on the sale of used assets, such as taxable vehicles and equipment, including the sale of rental inventory. When used assets are sold as part of the closure of a business, the purchaser is required to self-assess and report the tax.[5]

N. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

Saskatchewan Ministry of Finance has made it possible to report and remit tax electronically through the use of a standard Internet connection. SETS offers a secure, fast, easy and convenient alternative to filing returns in paper format. Several E-File services are currently available through SETS.

Businesses may use SETS to file and pay returns for PST and other provincial taxes.

SETS allows businesses to:

- file and pay returns or make payments on account;
- file a return and post-date the payment to the due date;
- view account balance and statement information;
- authorize your accountant to file on your behalf; and,
- subscribe to an Email Notification Service that allows the option to be notified by email that a tax return should be filed. This replaces the paper forms normally received in the mail.

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[4] Information Bulletin PST-63, *Information Regarding Sales to First Nations Individuals and Organizations*

[5] Information Bulletin PST-58, *Information on the Taxation of Used Goods*

FOR FURTHER INFORMATION

Write: Ministry of Finance
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Box 200
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Telephone: Toll Free 1-800-667-6102
Regina 306-787-6645

Email: sask.tax.info@gov.sk.ca

Fax: 306-787-9644

Internet: Provincial Sales Tax bulletins, forms and information are available on the Internet at:

http://www.finance.gov.sk.ca/taxes/pst

To receive automatic email notification when this (or any other bulletin) is revised, go to www.finance.gov.sk.ca/taxes, click on the "What's New" information then click on the "subscribe" button.